(c) RBI has reported that as per Section 45-IA of the Reserve Bank of India Act, 1934, Non Banking Finance Companies (NBFCs) existing as on 9.1.1997 and not having a minimum Net Owned Fund (NOF) of Rs. 25 lakh are precluded from functioning as NBFCs unless they have attained the required NOF by 9.1.2000, and advised the Bank within three months thereof, unless specified extension of time (not beyond 9.1.2003) has been granted by the Reserve Bank. The RBI has not granted extension of time to any company not having the requisite NOF to function beyond 9.1.2003 and thus by operation of law, all such companies are precluded from functioning as NBFCs beyond that date. Since the ban was by operation of law, no seaprate list is maintained by RBI of such companies.

Recommendations of Kelkar Task Force on Corporate Tax

659. SHRI A. VIJAYA RAGHAVAN: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether Kelkar Task Force has recommended the rate of tax for Corporates be reduced from the existing 36.75 per cent (including surcharge) to 30 per cent for domestic companies, while the tax on foreign companies be reduced from 42 per cent to 35 per cent;

(b) if so, the details thereof including reasons therefor;

(c) whether Kelkar Task Force has suggested taxation on agriculture income;

(d) if so, the details thereof;

(f) whether above proposals were accepted by competent authority; and

(f) the action taken/proposed to be taken based on the above proposals?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI GINGEE N. RAMACHANDRAN): (a) Yes, Sir.

(b) Task Force on Direct Taxes has recommended that there is a need for integration of corporate tax and personal income tax. The Task Force has recommended full integration of corporation and personal income tax whereby a tax at the corporate level is levied at the same rate as the

maximum rate of personal income tax and all dividends and capital gains is exempted from tax in the hands of the shareholders. The Tax Force, has accordingly, recommended a corporate tax rate of 30% for domestic companies, being the top marginal rate for personal income tax, and exempt from tax all dividends and long term capital gains from listed equity. This recommendation is subject to the condition that the effective corporate tax liability is equivalent to the statutory corporate tax rate, *i.e.* tax incentives and artificial deductions should be removed and depreciation rates should be brought down.

(c) Yes, Sir.

(d) To encourage the States to tap the full potential of their taxing powers and to prevent laundering of non-agricultural income, the Task Force has recommended that a tax rental agreement should be designed whereby States should pass a resolution under Article 252 of the Constitution authorizing the Central Government to impose income tax on agricultural income. The taxes collected by the Centre would, however, be assigned to the States. Tax from agricultural income for the purposes of allocation between States will be the difference between the tax on total income (including agricultural income) and the tax on total income net of agricultural income. Where a taxpayer derives agricultural income for different States, the revenues attributable to a State will be in the ratio of the income derived from a particular State to the total agricultural income. A separate tax return form should be prescribed for taxpayers deriving income for agriculture.

(e) and (f) Sir, the issues raised by the Hon'ble Member relate to tax policy. At present, when the Budgetary exercise is in process, it will not be possible to respond to the question.

Rajnath Panel on Kelkar Committee Report

660. SHRI GHULAM NABI AZAD:
DR. T. SUBBARAMI REDDY:

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the Kelkar Committee Report submitted to Government has dispelled any misconception that the middle class would be hit by the Task Force recommendations on tax;